STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

of

LANDCAR LIFE INSURANCE COMPANY

of

Sandy, Utah

as of

Exam Date December 31, 2008

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October 9, 2009

SALUTATION

Honorable Neil T. Gooch, Acting Insurance Commissioner
Utah Insurance Department
3110 State Office Building
Salt Lake City, Utah 84114

Honorable Morris J. Chavez, Superintendent
Secretary, Western Zone, NAIC
New Mexico Public Regulation Commission
Division of Insurance
PO Drawer 1269
Santa Fe, New Mexico 87504-1269

Honorable Alfred W. Gross, Commissioner
Chair, Financial Condition (E) Committee, NAIC
Virginia State Corporation Commission
Bureau of Insurance
Commonwealth of Virginia
PO Box 1157
Richmond, Virginia 23218

Pursuant to your instructions and in compliance with statutory requirements, an examination, as of December 31, 2008, has been made of the financial condition and business affairs of:

LANDCAR LIFE INSURANCE COMPANY

Sandy, Utah

hereinafter referred to in this report as the Company, and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

We have performed our association examination of Landcar Life Insurance Company. This examination covers the period of January 1, 2006 through December 31, 2008.

Examination Procedure Employed

We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations. All accounts and activities of the company were considered in accordance with the risk-focused examination process.

Status of Prior Examination Findings

The last examination was completed as of December 31, 2005. Items of significance noted in the prior examination report were two (2) categories of exception conditions; compliance with annual statement instructions and statutory compliance. The adverse findings not satisfactorily addressed will be identified as repeat exceptions in this report.

A limited scope examination of specific assets, not limited to mortgage loans, common and preferred stocks with exposure to mortgage lending industry deterioration, was conducted as of December 31, 2007. In response to the findings of the examination and to address the Department's concerns, the Company has discontinued investments in new mortgage loans and the board of directors formed an investment committee in March 2009 to oversee the Company's investment strategy and policy.

SUMMARY OF SIGNIFICANT FINDINGS

The Company failed to comply with Utah Administrative Code (U.A.C.) Rule R590-178-5.B, which requires the exclusion of securities held in violation of this rule when determining and reporting financial condition of insurers. (ACCOUNTS AND RECORDS)

Prior to the conclusion of the examination, the Company executed custodial agreements which comply with both Utah Code Annotated (U.C.A.) § 31A-4-108 and U.A.C. Rule R590-178. As a result the Utah Insurance Department (the Department) waived the requirement that the assets be excluded for examination purposes.

The Company failed to comply with U.C.A. § 31A-16-106(1), in part, which requires that transactions within a holding company system meet certain standards. (ACCOUNTS AND RECORDS)

SUBSEQUENT EVENTS

Effective April 22, 2009, the state of Idaho issued an order under Title 41 of the Idaho code wherein the Company stipulated and agreed to accepting business written by unlicensed employees of four dealerships within the holding company The Company was ordered to pay an administrative penalty of $43,000 and to:

1. Immediately cease and desist accepting business and/or paying commissions to persons unlicensed to sell, solicit or negotiate insurance in the state of Idaho.
2. Have all persons selling, soliciting or negotiating insurance on its behalf licensed in the state of Idaho within 30 days.
3. Submit to the Department a written description of safeguards implemented to prevent the payment of commissions, to directly or indirectly, unlicensed individuals, within 30 days.

A similar condition existed during the prior 2005 examination period. The Company represented to the examiners it took certain steps to ensure employees representing the Company were licensed to sell insurance. Fieldwork ended prior to the Department's receipt of a copy of the Idaho order, therefore, the efficiency of the procedures the Company implemented were not evaluated as part of this examination.

It is recommended that appropriate procedures and controls be implemented that will ensure compliance with statutory requirements for licensing agents.

With the adoption of the NAIC Model Audit Rule (MAR) effective January 1, 2010, the Utah Insurance Department promulgated the Annual Financial U.A.C. Rule R590-254 effective 7/8/09. Some of the requirements that would be applicable to the Company would be a five year rotation period of lead (or coordinating) audit partner (having primary responsibility for the audit).

Subsequent to the examination date, Gregory S. Miller was elected Secretary/Treasurer of the Company, assuming the duties of the former Secretary/Treasurer, Lawrence H. Miller, who passed away on February 20, 2009.

COMPANY HISTORY

General

The Company was incorporated on September 10, 1980, under the laws of the state of Arizona and was granted authority to transact business as a credit life reinsurer. Operations commenced on January 19, 1981. Re-domestication was granted and authority to transact business in the state of Utah was granted by the Utah Insurance Department, effective December 31, 1985. Authority granted, was for the lines of insurance: life, annuity, and disability. As of December 31, 2005, the Company has authority to operate in six other states: Arizona, Colorado, Idaho, New Mexico, Oregon and Texas. The Company is a stock life insurance company. The bylaws were amended in December 2006 to add Section 11, to Article 4, Principal Officers, which states "The President, Secretary, and each Vice President of the Corporation is hereby designated as a principal officer of the Corporation for all purposes, including but not limited to the requirements of 31A-5-203(3) Utah Code Annotated."

Dividends and Capital Contributions

During the period of examination, there were no dividends to stockholders or capital contributions.

Mergers and Acquisitions

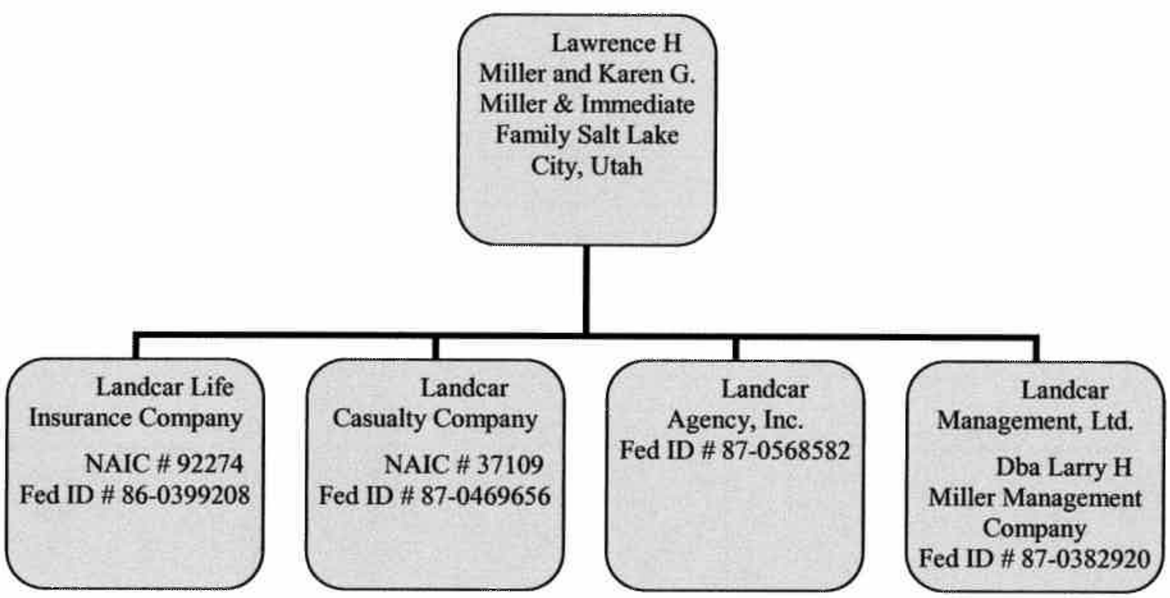
There were no mergers or acquisitions during the period of examination.

CORPORATE RECORDS

Minutes of meetings of stockholders, directors, and committees were reviewed for compliance and corporate governance. The minutes approve and support Company transactions and events. The previous examination report as of December 31, 2005, was distributed to the board of directors on July 20, 2007.

MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE

As of December 31, 2008, Lawrence H. Miller and Karen G. Miller and family own the Company. The insurer is a member of an insurance holding company system as described below in the abbreviated organizational chart:



The bylaws of the Company indicated the number of directors must equal the number of shareholders.

The following persons served as directors of the Company as of December 31, 2008:

Name and Residence	Principal Occupation
Lawrence H. Miller Salt Lake City, Utah	Secretary – Treasurer Larry H. Miller Group of Companies
Karen G. Miller Salt Lake City, Utah	President Larry H. Miller Group of Companies
Bryan J. Miller South Jordan, Utah	Vice President Larry H. Miller Group of Companies
Gregory S. Miller Sandy, Utah	Senior Vice President Larry H. Miller Group of Companies
Roger L. Miller Draper, Utah	Vice President Larry H. Miller Group of Companies
Stephen F. Miller Sandy, Utah	Vice President Larry H. Miller Group of Companies
Karen R. Williams Grantsville, Utah	Vice President Larry H. Miller Group of Companies

Officers of the Company as of December 31, 2008, were:

Name	Title
Karen G. Miller	President
Lawrence H. Miller	Secretary – Treasurer
Bryan G. Miller	Vice President
Gregory S. Miller	Vice President
Roger L. Miller	Vice President
Stephen F. Miller	Vice President
Karen R. Williams	Vice President

As of December 31, 2008, there were no committees of the board of directors. A general manager supervises the operations of the Company.

FIDELITY BONDS AND OTHER INSURANCE

The Company is a named insured under a policy providing $1,000,000 coverage for losses associated with employee dishonesty. This coverage is in excess of the $225,000 minimum fidelity coverage suggested by the NAIC.

The Company is also a named insured under other policies providing coverage of losses associated with other risks of doing business.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company provides a 401(k) defined contribution plan for eligible employees. All employees of the Company with service of over one year are eligible to participate in the plan. The Company pays an amount equal to 50% of the employee's contribution up to 3% of the employee's salary. The Company's contribution to the plan for the years ended December 31, 2008, 2007, and 2006 was $3,629, $4,268 and $3,424 respectively.

The Larry H. Miller Group of Companies offers a cafeteria plan that allows employees to choose benefits from a "flexible benefits menu" including health insurance, dental insurance, life insurance, dependent life insurance, short-term disability insurance and reimbursement accounts (Cafeteria-Plan 125 account). A cafeteria plan, as established by the IRS, allows employers to offer an array of benefits to employees on a pre-tax basis. Full-time employees, who work at least 32 hours per week, are eligible to participate in the group's plans.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2008, the Company was authorized to transact life and disability insurance business in the states of Arizona, Colorado, Idaho, New Mexico, Oregon, Texas, and Utah. Operations are conducted in all authorized states except the state of Texas.

The Company is a member of the Larry H. Miller Group of Companies which is composed of three divisions:

1. A Sports and Entertainment Division, which consists of The Utah Jazz NBA franchise, and The EnergySolutions Arena, among others;

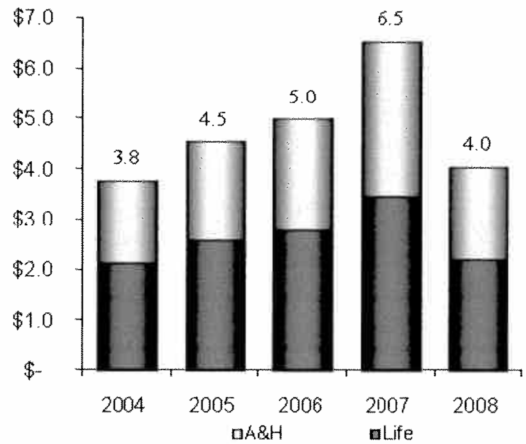
2. A Real Estate Division, which consists of several theater complexes and the Jordan Commons office building complex and

3. The Automotive Division, which consists of over 40 car dealerships and several ancillary entities, including the Company, that provide goods and services primarily to the car dealerships.

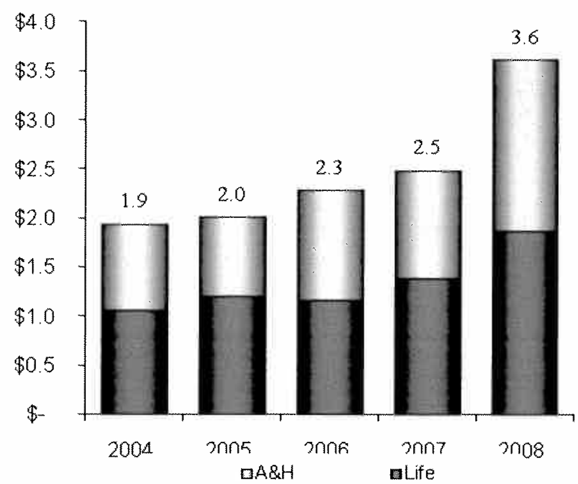
The Company's primary channel of distribution is the Landcar Agency, which markets credit life and credit disability products through the car dealerships. As such, the production of new business is dependent upon conditions in the automotive market. With the decline in the economy beginning in 2008, the Company has seen a sharp decline in premiums written.

GROWTH OF COMPANY

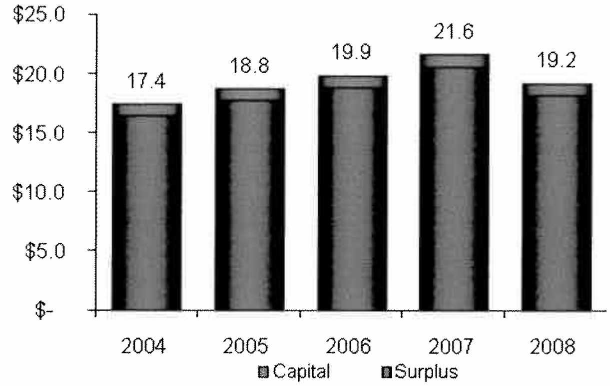
During the period of this examination, the trend for net premiums written by line of business has consistently increased with the exception of 2008, which reflected the downturn in the economy beginning in late 2007.



The trend for pre-tax earnings has consistently increased with the exception of 2008. Earnings unusually increased due to the "run-off" of existing business combined with the lack of production of new business.

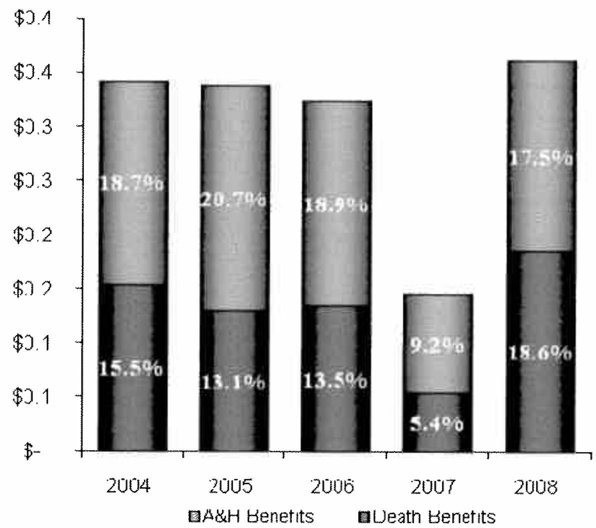


The growth of capital and surplus has consistently increased during the period of examination with the exception of 2008, despite the unusual increase in pre- tax income. The decrease is due to unrealized losses related to the Company's investment portfolio.



MORTALITY AND LOSS EXPERIENCE

During the period of examination the trend of the mortality and loss experience as a percentage of net written premiums was fairly consistent with the exception of 2007, which was attributed to random fluctuations as there were no changes in the operation of the Company during 2007 that would cause such a lower level of claims. The Company is a relatively small company where such observed fluctuations in experience can be expected to occur.



REINSURANCE

As of December 31, 2008, the Company did not accept or cede reinsurance.

ACCOUNTS AND RECORDS

The Company's general accounting records consist of an automated general ledger and a policy administration database consisting of historical records for all contracts of insurance and other financial transactions generated by operations. The system provides those reports, hardcopy or electronically, required to adequately account for the business conducted. Our review did not disclose any significant deficiencies in these records, however, we noted areas in which the Company's record-keeping and procedures and controls could be improved. These areas are further discussed in the "Summary of Recommendations" section of this Report.

U.C.A §31A-4-108 (1) requires that insurers hold all investments and deposits of its funds in its own name except securities kept under a custodial agreement or trust arrangement with a bank or certain other qualified institutions. U.A.C. Rule R590–178 provides guidance for standards of control a custodial agreement must meet. As of December 31, 2008, the Company's investments in bonds and stocks were held in accounts with a bank. The custodial agreement with the bank did not contain the required standards of control. U.A.C R590-178-5b provides: "Custodial securities held in violation of this rule shall be excluded when determining and reporting financial condition of insurers." The Company reported an investment in bonds and stock securities of $14,306,966, which were held by institutions in violation of the rule. Prior to the conclusion of the examination, the Company negotiated custodial agreements which comply with both the statute and rule. As a result the Department waived the requirement that the assets be excluded.

U.C.A.§ 31A-16-106(1)(a), in part, requires that transactions within a holding company system to which an insurer subject to registration is a party are subject to the following standards:

1. The terms shall be fair and reasonable;
2. Charges or fees for services performed shall be reasonable;
3. Expenses incurred and payment received shall be allocated to the insurer in conformity with customary insurance accounting practices consistently applied;
4. The books, accounts, and records of each party to all transactions shall be so maintained as to clearly and accurately disclose the nature and details of the transactions, including the accounting information necessary to support the reasonableness of the charges or fees to the respective parties.

Furthermore, the NAIC Accounting Practices and Procedures Manual, Statements of Statutory Accounting Principles (SSAP) No. 25, paragraph 16, provides that transactions involving services provided between related parties shall be recorded at the amount charged. Regulatory scrutiny of related party transactions where amounts charged for services do not meet the fair and reasonable standard established by Appendix A-440, may result in (a) amounts charged being re-characterized as dividends or capital contributions, (b) transactions being reversed, (c) receivable balances being non-admitted, or (d) other regulatory action. Expenses that result from cost allocations shall be allocated subject to the same fair and reasonable standards, and the books and records of each party shall disclose clearly and accurately the precise nature and details of the transaction.

During the review of cash disbursements it was determined that certain transactions involving shared expenses and payroll were not sufficiently documented as to allow the examiners to determine whether these transactions were fair and reasonable in accordance with the standards promulgated above.

It is recommended that the Company should maintain proper and adequate documentation (e.g., time/usage studies) to support that the allocated expenses or fees are fair and reasonable, in accordance with the aforementioned U.C.A. § 31A-16-106(1) and SSAP No. 25.

STATUTORY DEPOSITS

As of December 31, 2008, the Company maintained a deposit on behalf of the Department, in an amount equal to its minimum capital requirement of $400,000, as required by U.C.A § 31A-4-105. Deposits maintained in behalf of regulatory agencies as of December 31, 2008 were as follows:

State	Description	Statement Value	Fair Value
For the benefit of all Policyholders:			
Utah	Federal Home Loan Bank	$1,550,000	$1,509,156
Not for the benefit of all policyholders:			
New Mexico		125,000	110,868
Texas		200,000	206,240
		$2,012,000	$1,966,197

FINANCIAL STATEMENTS

The following financial statements were prepared from the Company's accounting records and the valuations and determination made during the examination. The accompanying NOTE TO FINANCIAL STATEMENTS are an integral part of the financial statements.

LANDCAR LIFE INSURANCE COMPANY

BALANCE SHEET (ASSETS)

As of December 31, 2008

ASSETS

	Net Admitted Assets
Bonds	$ 2,460,909
Preferred stocks	8,064,195
Common stocks	3,781,862
Mortgage loans	15,599,513
Cash & short term investments	3,185,539
Other invested assets	2
Total invested assets	33,092,020
Investment income due & accrued	495,777
Premiums uncollected, deferred or accrued	68,230
Other assets	29,714
Assets excluding separate accounts	33,685,741
Separate accounts	0
Total assets	$ 33,685,741

LANDCAR LIFE INSURANCE COMPANY

BALANCE SHEET (LIABILITIES, SURPLUS AND OTHER FUNDS)

As of December 31, 2008

LIABILITIES

Aggregate reserves for life contracts	$	7,816,868
Aggregate reserves for accident & health contracts		4,825,342
Contract claims life		186,259
Contract claims accident & health		30,628
General expenses due or accrued		91,109
Taxes, licenses and fees due or accrued		25,431
Current federal income taxes		277,774
Amounts retained by company as agent or trustee		32,570
Asset valuation reserve		1,038,864
Irrevocable letter of credit		143,002
Total liabilities excluding separate accounts		14,467,847
Separate accounts liabilities		0
Total liabilities		14,467,847

SURPLUS AND OTHER FUNDS

Common capital stock		1,000,000
Gross paid in and contributed surplus		0
Unassigned funds (surplus)		18,217,894
Total surplus & other funds		19,217,894
Total liabilities, surplus & other funds	$	33,685,741

LANDCAR LIFE INSURANCE COMPANY

SUMMARY OF OPERATIONS

For the Year Ended December 31, 2008

	Current Year
Premiums for life & accident & health contracts	$ 4,043,599
Net investment income	2,417,862
Other income	75
Total operating revenue	6,461,536
Death benefits	408,640
Disability benefits	324,274
Increase in aggregate reserves for life & accident & health contracts	(643,478)
Total benefits	89,436
Commissions on premiums	1,727,821
General insurance expenses	855,243
Insurance, taxes, licenses & fees	172,503
Total benefits & expenses	2,845,003
Net gain from operations before policyholder dividends	3,616,533
Dividends to Policyholders	0
Net gain from operations after policyholder dividends & before federal income taxes	3,616,533
Federal income taxes incurred	865,000
Net Gain After Dividends & Taxes	2,751,533
Net Realized Capital Gains	(1,992)
Net Income	$ 2,749,541

LANDCAR LIFE INSURANCE COMPANY

RECONCILIATION OF CAPITAL AND SURPLUS

2005 through 2008

	2005*	2006*	2007*	Per Exam 2008	Notes
Capital and surplus prior reporting year	$ 17,437,234	$ 18,754,584	$ 19,899,851	$ 21,639,698	
Net income	1,817,274	1,977,888	2,191,162	2,749,541	
Change in unrealized gains (losses)	(249,241)	667,886	(1,030,302)	(6,293,629)	
Change in net deferred income tax	(58,099)	(116,418)	76,896	916,805	
Change in nonadmitted assets	44,937	(311,070)	94,829	(684,958)	
Change in asset valuation reserve	(237,476)	(1,073,019)	550,264	890,437	
Aggregate write-ins for gains and losses in surplus	(45)		(143,002)		
Net change in capital and surplus	1,317,350	1,145,267	1,739,847	(2,421,804)	
Capital and surplus end of reporting year	$ 18,754,584	$ 19,899,851	$ 21,639,698	$ 19,217,894	(1)

* Per the regulatory financial statements filed with the Utah Insurance Department.

NOTE TO FINANCIAL STATEMENTS

(1) Capital and surplus $19,217,284

The Company's capital and surplus was unchanged from the amount reported in the Company's annual statement as of December 31, 2008.

SUMMARY OF RECOMMENDATIONS

The examiner must be able to determine whether effective controls are in place and are mitigating identified risks during the examination of the Company. The examiner must review and summarize an understanding of the internal controls or procedures that are in place for all identified inherent risks of the Company and develop control improvement recommendations for management. The internal controls must be assessed by how well they mitigate identified inherent risks. Risk mitigation strategies/controls generally consist of:

1. Management oversight,
2. Policies and procedures,
3. Risk measurement,
4. Control monitoring and
5. Compliance with laws and regulations.

The overall assessment must reflect the examiner's determination on how well the controls mitigate inherent risk.

The approach to identifying and assessing internal controls involves the comparison of controls to a generally accepted standard or best practice. Best practices relating to the internal controls for insurance companies are included as guidelines in the NAIC Examiners Handbook, which was used during this examination, are based upon the standards promulgated by the Committee of Sponsoring Organization's (COSO) Integrated Framework of Internal Control and the IT Governance Institute's Control Objectives for Information and related Technology (COBIT). Our reviews of the internal controls in place at the Company indicate that over-all inherent risks for most key activities are mitigated to acceptable levels. However, our review generally revealed the following:

1. The board of directors needs to be more proactive in the development and determination of the policies and procedures of the Company.
2. The comparison of the general controls and IT controls in place to the standards promulgated by COSO and COBIT appears to be effective, but the policies and procedures are not formally or adequately documented.
3. Several of the best practices that would be expected of insurance companies are not in place.

It is recommended that the Company initiate a program to formalize and adequately document the Company's general and IT Controls.

ACKNOWLEDGEMENT

Michael Mayberry, FSA, MAAA, of L&E Actuaries and Consultants, performed the actuarial phases of the examination. Colette M. Hogan Sawyer, CFE, CPM, PIR, Assistant Chief Examiner, and Malis Rasmussen, AFE, PIR, Financial Examiner, participated in the examination. Jan Moenck, CFE, CIE, CRP, Director, and Matt Kasurkin, CISA, RSM McGladrey, Inc., participated in the examination representing the Utah Insurance Department. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers, employees, and representatives of the Company.

Respectfully Submitted,

Leman McLean

Leman McLean, CFE, Examiner-in-Charge

RSM McGladrey, Inc.

Representing the Utah Insurance Department